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SUBJECT: WTO TRADE TALKS: AUSTRIA UNITED AGAINST FURTHER CONCESSIONS ON AGRICULTURE

REF: A) VIENNA 3586 B) VIENNA 3442

Summary

1. (SBU) Austria's Agriculture and Economics Ministers have announced that the GoA is "totally united" behind the current EU position on agricultural market access. The Minister of Agriculture, Josef Proell, and the influential Austrian farm lobby have engaged in an intensive public relations campaign, arguing the 2003 CAP reform should remain intact and that the "U.S. and Brazil should offer more." The agricultural lobby's arguments have overshadowed the Minister of Economy's initial support for the U.S. agricultural proposal and the MoE's desire to promote industrial and service exports. Austria still hopes for an ambitious outcome by the end of 2006. During Austria's EU Presidency the first half of 2006, the GoA will probably play the part of "honest broker" and remain in the background on DDA talks. Moreover, it is unlikely the GoA will press for further reductions in agricultural support levels, with the governing People's Party hoping to shore up support with the farm constituency in advance of national elections in autumn 2006. End Summary.

Agriculture Minister: "Don't Touch 2003 CAP Reform"

2. (SBU) During a December 5 press conference, Agriculture Minister Josef Proell and Economics Minister Martin Bartenstein proclaimed Austria is "totally united" behind the present EC position. Proell emphasized that Austria would ensure that the 2003 CAP reform remained intact and that the EU's major trading partners accepted the need to continue to include a category of sensitive products of up to 8% of tariff lines. In a bizarre analogy, Proell likened the U.S. and Brazil to "figure skating judges, who are quick to criticize, but are unwilling to perform themselves." Proell noted that a "Hong Kong II" would be necessary in 2006.

3. (U) Bartenstein, who had initially welcomed the USG agricultural proposal in October, said the successful conclusion of the Doha Round would indeed yield increased world-wide economic growth. However, he cautioned that there were concerns how these economic benefits would accrue both across sectors and also between developed and developing nations. Bartenstein underscored that there is no question of "trading" gains in services and NAMA to the detriment of agriculture.

Austrian Concerns With Further Agricultural Market Access

4. (SBU) Gabriella Habermayer, Head of the Ministry of Economy's Multilateral Trade Division, told Econ Unit Chief December 7 that Austria had several general concerns regarding further concessions on agricultural market access. First, many Austrians believe philosophically that, without adequate safeguards, the large, "industrialized" U.S. agriculture sector would overwhelm Europe's farms. Second, Habermayer said most Austrians supported continued financial assistance for sustainable agricultural development, environmentally-conscious policies, and strong consumer protection capabilities. When pressed, Habermayer admitted support in these areas fall within the less contentious green box. Finally, Habermayer confirmed that the GoA strongly opposed any reduction in the number of products exempted in the sensitive products category.

5. (SBU) Habermayer said the GoA would "try to make the best" out of the current situation in Hong Kong. Austria would have preferred more progress on quantifiable indicators, i.e., modalities, but Habermayer said the GoA hoped there would be some progress on qualitative issues in Hong Kong. According to Habermayer, services remain very important for Austria, and the GoA is disappointed there has not been more progress in this sector. Nevertheless, Habermayer said the GoA understands that progress on services depends on progress in NAMA and agriculture. Habermayer added that the GoA believed the WTO could achieve an ambitious outcome by the end of 2006 with intensified efforts.

The View From the Farm Lobby

16. (U) Rudolf Schwarzboek, President of the Austrian Agricultural Chamber and also President of the European Farmers' Association, presented the farm lobby's views during a November 29 conference. Schwarzboek claimed the agricultural sector wanted Doha to succeed. However, in Schwarzboek's opinion, reforms in Europe's agricultural sector since 1993 have outpaced reforms in other sectors, so success in Doha should "not come at the expense of agriculture." Schwarzboek held up the CAP as a successful common policy that other sectors, e.g., R&D, transportation, energy, and fiscal, should emulate. Schwarzboek repeatedly criticized the Commission for lacking a "democratic orientation" in its decision-making.

Comment

17. (SBU) The Ministry of Economy, the lead on trade negotiations, was initially an advocate for more substantive movement on agricultural market access in return for progress on NAMA and services. However, the Agriculture Ministry and the farm lobby began to dominate the debate, both publicly and behind the scenes. Support for maintaining a large range of sensitive products remains strong in "environmentally-green" Austria, where most Austrians want all their foodstuffs produced locally, or at least within the EU.

18. (SBU) It is unlikely that Austria will be particularly proactive in trying to push for an agreement during the its Presidency the first half of 2006. As EU President, Austria will need to play "the honest broker" within the EU and will indeed focus more effort on resolving the EU's current budget impasse, should the UK Presidency fail to conclude a deal. Moreover, with national elections due in autumn 2006, the governing People's Party and its popular Agriculture Minister will undoubtedly look to shore up support among the farm constituency.

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